



STATE OF NEW JERSEY
Board of Public Utilities
Two Gateway Center
Newark, NJ 07102
www.bpu.state.nj.us

TELECOMMUNICATIONS

IN THE MATTER OF THE APPLICATION OF
VERIZON NEW JERSEY, INC. FOR THE)
APPROVAL OF THE SALE AND CONVEYANCE
OF REAL PROPERTY LOCATED IN THE CITY OF
EAST ORANGE, ESSEX COUNTY, NEW JERSEY
TO TRIAD INTERNATIONAL, INC.

ORDER OF APPROVAL

DOCKET NO. TM05110957

(SERVICE LIST ATTACHED)

BY THE BOARD

On November 9, 2005, Verizon New Jersey Inc. ("Petitioner" or "VNJ") filed an application for approval of the sale and conveyance of real property located in the City of East Orange, Essex County, New Jersey ("Property") to Triad International, Inc. ("Buyer"). According to the petition, VNJ is the owner of a certain parcel of Property; consisting of a three story (plus attic) 91,928 square foot building on approximately 5.40 acres of land located in the City of East Orange, Essex County, New Jersey. The Property is known and designated as Lot 6 and 7 (formerly 6-15) in Block 810 on the Tax Map of the City of East Orange.

The Property consists of two parcels. The first was originally acquired on May 10, 1957 and the second on October 13, 1970, at a total purchase price of \$3,473,400.00. Improvements to the Property consist of the existing 91,928 square foot building and subsequent internal improvements thereto at a total cost to date of \$9,117,590. The Property was acquired and has been used as a site for Petitioner's relief space for personnel and equipment previously housed at 540 Broad Street, Newark, NJ. The Property will cease to be used for such purpose in or around March 2006, when personnel from this location will be transferred to another location in Irvington, New Jersey. VNJ has determined that upon the vacation of the Property it will not be required for any present or prospective utility purposes, and therefore could be marketed for sale.

Welsh Chester Galiney Matone, Inc., a real estate appraiser, was requested to review the current market conditions and to determine the value of the Property. The appraiser concluded, based on the available market data that as of March 10, 2004, the market value of the Property was \$2,425,000. On October 19, 2005, Welsh Chester Galiney Matone, Inc. resurveyed the market with the objective of determining whether or not the offer of \$2,800,000 which VNJ reportedly received for the Property represents fair market value. After researching the local market conditions, Welsh Chester Galiney Matone, Inc. concluded that the offer received by

VNJ of \$2,800,000.00 is a fair market value based on the highest and best use for the Property as a multi-family development.

The Property is presently carried on Petitioner's books in the amount of \$5,319,932.00. The Property is not income producing, and its 2005 assessed value is \$542,800.

The Property was advertised for sale on July, 2005; six (6) bids were received with the highest amount (\$2,800,000.00) offered by Triad International Inc. The Petitioner believes that the Buyer's bid is the best price attainable for the Property and represents the true fair market value of the Property.

According to VNJ, Petitioner reserves no rights or interests in the Property except all rights, titles, and interest in and to all telecommunications facilities presently located in the public streets adjoining the Property and permanent and perpetual right, privilege, authority, easement and right of way to place, replace, construct, reconstruct, install, operate, use, repair, maintain, relocate and remove such telecommunications facilities as VNJ and its successors and assigns may from time to time deem necessary in, on, over, under and through the streets adjoining the Property.

VNJ and the Buyer have complied with all statutory requirements regarding the sale of utility Property as contained in N.J.A.C. 14:1-5.6 and N.J.S.A. 48:3-7, and there is no relationship between the parties other than that of transferor and transferee.

The Division of the Ratepayer Advocate ("Ratepayer Advocate") filed its comments on February 1, 2006, recommending that VNJ's petition be deferred until an independent appraisal is obtained and provided to all parties. The Ratepayer Advocate stated that it is hard to believe that a property, which VNJ bought 35 years ago at over \$3 million dollars and upgraded to date at a cost of over \$9 million dollars, can only command a fair market appraisal of \$2.4 million and a sale price of \$2.8 million. In addition, the Ratepayer Advocate recommended that the Board modify its previously issued sharing order and direct a sharing of the proceeds of the sale with ratepayers.

In its comments filed on February 7, 2006, VNJ asserts that the Ratepayer's recommendation ignores the fundamental principle that the actual value of the property is ultimately determined by the market—not by expert opinion. VNJ argues that since the property was reappraised after receipt of the Buyer's high bid and that the reappraisal fully supports that bid, no legitimate purpose would be served by requiring VNJ to obtain still another appraisal at this juncture. VNJ further argues that the Board rejected similar Ratepayer assertions in I/M/O the Application of Verizon New Jersey Inc. for Approval of the Sale and Conveyance of Real Property in the Township of Hanover, Morris County to Joseph Lobo, BPU Docket No. TM05020103 (June 8, 2005); and in I/M/O the Application of Verizon New Jersey Inc. for Approval of the Sale and Conveyance of Real Property in the Borough of Oradell, Bergen County to Holy Name Hospital, BPU Docket No. TM05080754 (October 27, 2005). VNJ argues that Ratepayer Advocate's suggestion that VNJ's acquisition cost and subsequent investment in the Property renders the purchase price inadequate is misguided. The Property's original cost has no bearing on its current market value. VNJ argues that the Ratepayer Advocate continues to maintain its position that ratepayers be permitted to share in the proceeds of the sale despite the fact the Board squarely rejected its sharing argument in a separate investigative proceeding solely on this issue. See I/M/O The Board's Investigation as to Whether Ratepayers Should Share in the Proceeds Arising from the Sale and Conveyance of Real Property by Verizon New Jersey, Inc., BPU Docket No. TX04080749 (August 12, 2005).

DISCUSSION

The Board agrees with VNJ's position that the Property was advertised and a competitive bidding process produced a highest bid, which is a proper indication that the Petitioner accepted the best achievable market price. The Board notes the Ratepayer Advocate asserted a similar contention which was rejected by the Board in I/M/O the Application of Verizon New Jersey for Approval of the Sale and Conveyance of Real Property in the Township of Hanover, Morris County, New Jersey to Joseph Lobo, BPU Docket No. TM05020103 (June 8, 2005). The Board also notes that the sale price is 15% percent more than the original appraised value. Furthermore the Board finds that it has resolved the sharing issue in its previous Order I/M/O The Board's Investigation as to Whether Ratepayers Should Share in the Proceeds Arising from the Sale and Conveyance of Real Property by Verizon New Jersey, Inc., BPU Docket No. TX04080749 (August 12, 2005), indicating that VNJ is being regulated under an Alternate Plan of Regulation that does not require sharing of any sale proceedings arising from the sale and conveyance of real property by VNJ.

In view of the foregoing, the Board FINDS that the proposed sale of said Property will not affect Petitioner's ability to provide safe, adequate and proper service, is in the public interest and in accordance with law, and accordingly HEREBY APPROVES the sale, subject to the following conditions:

Petitioner is directed to advise the Board of the date on which the transaction is completed, within ten (10) days of completion;

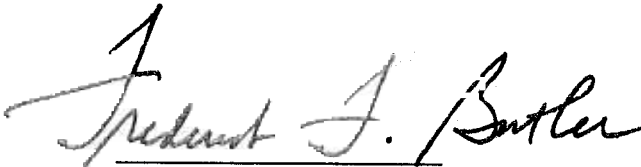
this Order shall be of no effect, null and void, if the sale hereby approved is not completed within six (6) months of the date hereof unless otherwise ordered by the Board; and

the approval of the proposed journal entries recording the sale of this Property shall not affect or in any way limit the exercise of the authority of this Board, or of this State, in any future petition or in any proceeding with respect to rates, financing, accounting, capitalization, depreciation or in any other matters affecting Petitioner.


DATED: 3/22/06

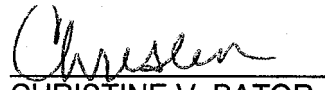
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BY:


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PRESIDENT


FREDERICK F. BUTLER
COMMISSIONER


CONNIE O. HUGHES
COMMISSIONER

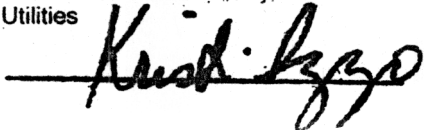

JOSEPH L. FIORDALISO
COMMISSIONER


CHRISTINE V. BATOR
COMMISSIONER

ATTEST:


KRISTI IZZO
SECRETARY

I HEREBY CERTIFY that the within
document is a true copy of the original
in the files of the Board of Public
Utilities



SERVICE LIST

Docket No. TM05110957

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